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## Poland

## Solid Wood Products

## Annual

## 2007

**Approved by:**

Kate Snipes  
U.S.Embassy

**Prepared by:**

KS/NK

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**Report Highlights:**

Poland almost doubled its imports of solid wood within the last two years. Import growth has been driven by greater demand from manufacturers of wooden boards, panels and furniture and the inability of local supply to meet increased demand.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Annual Report  
Warsaw [PL1]  
[PL]

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## Executive Summary

Most of Poland's forest resources are government-owned. Poland ranks fourth in Europe in terms of forested area. Due to moderate annual cuts (about 30 million cubic meters CUM) and the impact of the National Program of Forestation, the volume of standing timber has increased over the last several years.

Local demand is greater than local supply by about 3-5 million CUM annually. Imports make-up about of the deficit. Imports of solid wood are increasing every year and doubled in 2005 from 2004. Poland's neighbors are its main suppliers, especially Russia, Belarus and Ukraine. The Polish wood industry's demand to increase the annual amount of wood cut and allow small mills to sign long-term contracts for government harvested wood resulted in the introduction of on-line sale of wood. Again, this did not solve the problems facing small mills, because they are not able to offer the highest prices. The new system allows foreign buyers, who can offer more competitive prices, to participate in the auctions.

The largest consumers of wood in Poland are the sawmill, chipboard, furniture and cellulose and paper industries. Most furniture and timber production is exported, mainly to other European Union (EU) countries. Furniture manufacturers are trying to re-enter the Russian market which collapsed during economic crisis in Russia a few years ago, but also started to approach new overseas markets, like the United States and Canada.

The majority of imported furniture to Poland was provided by other EU countries. China supplied 10 percent of Polish furniture imports, and the share of Asian imports also in this segment is growing each year.

In Europe, Poland is the largest manufacturer of fiberboard, among the 10 leading producers of particleboard, and an important provider of plywood. The plywood production in 2005 increased by 25 percent from 2004, due to a foreign investment in new plants.

## Forest Situation & Outlook

The total forested area of Poland (under all forms of ownership) is 9.2 million hectares, almost 30% of its territory. This area includes 1.6 million hectares under a private administration (according to the Main Statistical Office (MSO) – status as of 31.12.2005). Poland ranks forth in Europe (after France, Germany and Ukraine) in forested area. The area of forests per inhabitant in Poland amounts to 0.24 hectares and is lower than the European average of 0.33 ha. Poland's vast forest resources are the result of conducting forest management in Poland in accordance with the principle of forest sustainability and forest resource enlargement (timber harvest according to Global Forest Resources Assessment FRA 2005 is about 56% of its increment). Coniferous species represent 77 percent of Poland's forests. The most common variety is pine (69%). Other important varieties are: oak (7.3 %), birch (5.9 %), spruce (5.5 %), and beech (5 %).

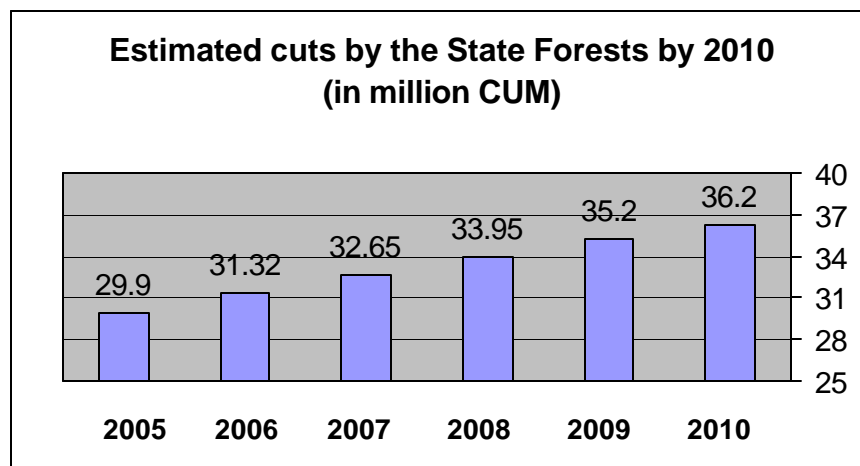
The changes in timber volume in age classes suggest that the year-to-year increase in standing volume is not only the result of expanding of the area of forests but also of the decline in timber harvest. The average annual increment in gross merchantable timber calculated for the last 20 years including harvest and per hectare of forestland administered by the State Forests is 6.9 CUM/ha.

The basis for all the forestation activities in Poland is the National Program for the Augmentation of Forest Cover (KPZL). The Program anticipates an increase in forest cover to 30% by 2020 and 33% by 2050.

Despite the growth in forested area, Poland's forests face many critical threats. The threats include insect outbreaks, drought, fires, and epiphytes. These environmental threats can have effects on both local and regional levels.

In 2005, the total volume from final or pre-final cutting of wood amounted to 29.7 million cubic meters (CUM) of gross merchantable timber, including 1.1 million CUM from private forests and 198,000 CUM

from national parks. The total sale of timber in 2005 was 30.0 million CUM (a 3% decrease in comparison with 2004). The sale of gross merchantable timber was 27.8 million CUM (as compared with 28,5 million CUM in 2004). In 2005, the sale of chips was 227,000 CUM.



Source: State Forests

Since the beginning of 2007, State Forests have started to sell wood through on-line negotiations. Companies put their offers (required quantity and price) in the on-line system, and the computer evaluates received offers. Companies ordered 34 million cubic meters (CUM), while State Forests' intention was to sell only 25 million CUM in 2007.

Companies criticize the system, as they received much smaller quantities than what they ordered. Local saw mills do not do well under this system – the highest offers win, small processors cannot offer competitive price offers. State Forests announced a reparation program which was not included in the original project. The program will start in February and will favor those companies which offer the highest prices. At the end of 2006, State Forests promised all purchasers, especially the old clients, that they would provide at least the same quantities as they bought for 2006. According to the State Forests representative, the prices offered in many cases were too low.

For the reparation program, State Forests want to use wood from regions where the demand was low (about 150,000 CUM) and about 300,000 CUM of, so called, incidental wood (received as a result of natural disasters). Only big international companies, like Klausner from Germany, are happy with a new system of purchasing wood. They were allowed to participate in auction and were treated similarly to local companies. Because of this, Poland will export about 1.5 million CUM of solid wood.

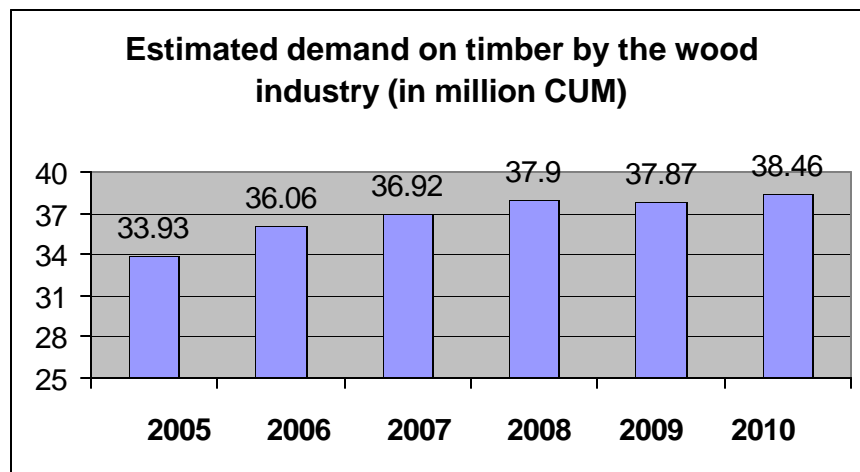
The annual cost of damage done by harmful activities to SF forests over the last five years ranged from PLN 6.2 and 7.6 million (US\$2.07 and 2.54 million). In 2005, the losses amounted to PLN 7.4 million (US\$2.47 million), a 5.7% increase in comparison with 2004. Losses were incurred for the following reasons:

- 55.9% – theft of timber from state-owned forests,
- 25.5% – theft or destruction of property in Forest Districts,
- 17.8% – poaching,
- 0.8% – unlawful uses of forests.

Polish mills produce sawn wood (hard and soft), wood panels (fiberboard and particle board) and construction materials such as windows, doorframes and flooring. In response to increasing demand, total Polish plywood production, including soft plywood, increased 7 percent during the first eleven months of 2006 to 100,608 CUM, compared with the same period of the previous year. In 2005, plywood production totaled 103,700 CUM, up 25 percent from 2004, which was the result of opening new plywood factories in Poland. According to the Institute of Technology, 40 percent of plywood production is softwood and 60 percent is hardwood.

## Solid Wood Products Situation & Outlook

The major customers of wood in Poland are furniture manufacturers, the cellulose and paper industry. In spite of Poland's vast wood resources, local demand is greater than local supply by about 3-5 million CUM annually. According to the Chamber of Wood Industry, the shortfall in local supply is explained in part by the long-term forest management plans of the Ministry of Environment. The Chamber claims that the ecological management plan for government forests is too restrictive and causes reduced supply and higher prices which impact small buyers the most. Buyers cannot count on private forests since they produce little wood. The average private owner owns about 1 hectare of forest area.



Source: State Forests report 2005

## Trade

The State Forests, the biggest local provider of solid wood, decided to sell only 30 million of CUM of hardwood and softwood in 2007. The local demand is almost 34 million CUM. As most of solid wood is used by the furniture industry, Polish companies have to import the difference. Every year the quantities imported increase. In the first nine months of 2006, 749 thousand CUM of hardwood logs were imported, 3 percent higher compared with the same period of 2005, and almost double the quantities imported in the same period of 2004. Most imports are from former Soviet republics: Russia, Belarus, and Ukraine. Import of hardwood logs from the EU-25 represents only 15 percent of total imports.

Import of softwood logs was much lower in the first nine months of 2006 than in 2005 (13 percent down). However, generally it is increasing: in 2003 there were 178 thousand CUM imported, in 2004 – 432 thousand CUM, and 903 thousand CUM in 2005 (more than doubled). Softwood logs were imported mostly from the EU-25 (over 60 percent), as well as from Belarus.

Exports of hardwood were smaller than imports. In the first nine months of 2006, 93 thousand CUM were exported, mainly to Thailand. Usually, the biggest importer of Polish hardwood logs has been the EU-25. In 2005 it was 14 thousand CUM (93 percent of all exported hardwood logs).

There is much bigger export of softwood logs although its quantities are fluctuating every year. In 2005, there were 628 thousand CUM exported, compared with 1.1 million CUM in 2004 and 851,000 CUM in 2003. Most of exports have been delivered to the EU-25. Austria, Italy, Czech Republic were the biggest importers of Polish softwood logs.

## Policy

Thanks to controlled harvests and implementation of the National Program of Forestation, there has been a significant increase in the size of Poland's forest area. In 2005 there were new forests grown on the area of 12,871 hectares (189 hectares more than in 2004). In the first stage of the program (1995-2000) 111,300 hectares were forested, 11.3 percent more than projected. In the second stage (2001-2005), only 79 percent of the project was completed with 95,300 hectares of new forests.

As a result of Poland's accession to the EU in May 2004, Euro 5.0 million in EU funding for forestation of former arable lands became available for the period 2004-2006. There are several requirements governing the use of this funding. One important requirement is that only local species of trees and bushes qualify for this program.

## Marketing

Per capita use of wood products in Poland is very low compared with other countries. One reason for this situation is a lack of organized promotion of wood use. At the end of 2004, the Foundation "Now Wood" was created by the representatives of the wood industry with the aim of promoting wood in the local market and increasing the sale of wood for housing construction. Research done by the Foundation shows that the annual consumption of wood in Poland is only 0.1 CUM per person, while in Germany and Austria it is 0.25 CUM, Estonia 0.44 CUM and Finland 1.00 CUM per person.

## Market Segment Analysis

### Furniture sector

Poland is the fourth largest producer of furniture in the world, after China, Italy and Germany. Annually, over 90 percent of all furniture production in Poland is exported. According to the MSO, the value of furniture sales (domestic and export) in the first three quarters of 2006, totaled US\$4.8 billion of which US\$4.6 billion was exported. Polish exports of furniture in 2005 totaled US\$5.7 billion (a 14 % increase from 2004). Preliminary data for the first nine months of 2006 show a 10 percent increase from US\$4.2 billion in 2005 up to US\$4.6 in 2006. The majority of exports have been sold to the EU-25, mostly Germany. The United States imported Polish furniture valued US\$152 million in 2005, and US\$112 million in the first three quarters of 2006. Imports of furniture are less significant but are also increasing. The value of furniture imported in 2005 reached US\$901 million (17 percent up compared with 2004), and in the first three quarters of 2006 it was US\$707 million (8 percent up from similar period of 2005). The majority of imports came from the EU, and 10 percent are from China.

According to Polish Chamber of Furniture Manufacturers, there are good prospects for the future of Polish furniture industry. EU-15 furniture producers face a difficult situation due to the lack of economic growth in the EU-15 and increasing competition from new member-states and the Far East. This situation provides Poland opportunity to supply more to Europe. In addition, the developing domestic market also provides increased opportunities for Poland's furniture manufacturers. There are some problems that the furniture industry faces, such as operations that are not official and don't pay taxes ("gray zone" operations), limited quantities of solid wood, the lack of promotion of furniture products, and growth in Far East imports. In spite of these problems, representatives of the sector are quite optimistic about their future. They estimate an average increase of 5 - 10 percent annually. The value of furniture production in 2010 is estimated between US\$8.3 and US\$10.4.

### Construction sector

Local low salaries, resulted in economic immigration to Western Europe, and a lack of vocational schools in Poland contribute to a deficit of construction workers. Some estimate almost 30 percent more workers are needed in the sector.

According to the Polish Association of Construction Industry, the profitability in the construction sector was lower than in other sectors; but now its increase seems comparable to other sectors. In 2006 the increase will be 18 percent or greater. Future years might be not so bright due to a shortage of labor. According to the MSO, the number of employed in construction decreased from 546,000 in 1995 to 338,000 in the second half of 2006. There are no official statistics how many people work unofficially. This is a very important issue if one considers the current government plans to build 3 million dwellings in the next eight years (it means some 375,000 dwellings annually). There are plans to triple the length of highways, build additional 1150 km of expressways, and 2002 km of local roads between now and 2013. The estimated number of additionally needed workers is 500-700,000 people. Created in 2006, the Ministry of Construction is considering allowing foreign workers from Ukraine and Belarus, as well as new EU members, Bulgaria and Romania to be employed officially in Poland.

Non-wood products, such as cement, bricks and stones, are the primary materials used in housing construction in Poland. Wooden homes are not well accepted, in part, because they are considered less durable and are found mainly in poor, rural areas. Insurance for a wooden home is 50-200 more expensive than for a cement home, which is also a barrier to greater wood home construction. A lack of uniformed standards and a certification system for wood construction companies is also a problem. The wood industry, however, hopes that a lack of inexpensive housing, shorter construction times for wooden homes and changes in lending practices will lead to an increase in wood housing construction.

There are about 200 Polish companies that specialize in wood frame construction, but most work outside Poland. It is estimated that some 3,000 homes are built from wood annually in Poland, which represents about 5 percent of all housing construction. Most of the wood used is bought locally, but some is imported, primarily from Germany, Canada and the United States.

### **Material Handling Industry**

It is estimated that about 40-45 million wood pallets are produced in Poland annually. As of May 1, 2004, when Poland joined the EU, the European Pallet Association (EPAL) must approve all wood pallets for use in other EU countries. Prior to EU membership, Polish Railways, the national railroad company, certified wood pallets. Although the quality of pallets from licensed producers has improved considerably since 2004, fake Euro pallets can still be found in the Polish market. According to EPAL officials, the number of fake Euro pallets in the market is considerable.



The official EPAL sign for the pallets.

### **Other wood industrial markets**

Thanks to privatization and considerable foreign investment, the Polish wooden board industry has been able to modernize and increase the variety of products it produces. For many years, Poland has been an important producer and supplier of MDF, OSB, and fiber and particleboards. In fact, Poland is the largest manufacturer of fiberboard and among the 10 leading producers of particleboard in Europe. Most wooden board production is exported or used in the production of furniture, which is later exported. Poland imports some quantities of U.S. veneer, fiberboard and plywood. But, as long as local demand for furniture remains stagnant, so will wood imports.

### **Sources of information used in this report:**

The State Forest Annual Report 2006, the Main Statistical Office of Poland, the National Chamber of Wood Industry, the Wood Technology Institute, the Polish Chamber of Furniture Manufacturers, the Polish Association of Construction Industry, the Foundation "Now Wood", the Polish Association of Wood Pallet Producers, and the Association of Wooden Board Industry.



## Forest Product, Strategic Indicator Tables For Poland

FOREST PRODUCT						
STRATEGIC INDICATOR TABLES FOR POLAND						
(Please do not add/delete rows or columns -- note and other info must be added below row 110 -- thank you!)						
CONSTRUCTION MARKET						
Country: Poland	Previous	Current	Following			
	CY 2005	CY 2006	CY 2007			
Total Housing Starts (thousand units)	81	102	105			
--of which, wood frame (thousand units)	0	0	0			
--of which, steel, masonry, other materials (thousand units)	81	102	105			
--of total starts, residential (thousand units)	57	68	71			
----of residential, single family (thousand units)	48	56	60			
----of residential, multi-family (thousand units)	7	7	7			
--of total starts, commercial (thousand units)	24	34	34			
Total Value of Commercial Construction Market (\$US mil)	8,000	8,000	8,000			
Total Value of Repair and Remodeling Market (\$US million)	6,000	6,000	6,000			
FURNITURE & INTERIORS MARKET						
Country:	Previous	Current	Following			
Report Year:	CY 2005	CY 2006	CY 2007			
Total Housing Starts (number of units)	80,567	102	105			
Total Number of Household, million	13*	13*	13*			
Furniture Production (\$US million)	7	8	9			
Total Furniture Imports (\$US million)	901	990	1,000			
Total Furniture Exports (\$US million)	5,700	6,300	6,800			
Interiors Market Size (\$US million)	1,500	1,500	1,700			
MATERIAL HANDLING MARKET						
Country:	Previous	Current	Following			

Report Year:	CY 2005	CY 2006	CY 2007			
Total Value of Industrial Output (\$US million)	221,000	247,000	260,000			
New Pallet Production (million units)	42	41	40			
FOREST AREA						
Country:	Previous	Current	Following			
Report Year:	CY 2005	CY 2006	CY 2007			
Total Land Area (million hectares)	31	31	31			
Total Forest Area (million hectares)	9	9	9			
--of which, Commercial ('000 hectares)	8,800	8,800	8,800			
----of commercial, tropical hardwood ('000 hectares)	0	0	0			
----of commercial, temperate hardwood ('000 hectares)	2,000	2,000	2,000			
----of commercial, softwood ('000 hectares)	6,800	6,800	6,800			
Forest Type						
--of which, virgin ('000 hectares)	162	162	162			
--of which, plantation ('000 hectares)	63	64	68			
--of which, other commercial (regrowth) ('000 hectares)	14	15	20			
Total Volume of Standing Timber (thousand cubic meters)	1,560	1,600	1,860			
--of which, Commercial Timber ('000 cum)	770	770	800			
Annual Timber Removal ('000 cum) 1/	30,000	31,320	32,650			
Annual Timber Growth Rate ('000 cum)	90,000	90,000	90,000			
Annual Allowable Cut ('000 cum)	32,000	32,000	33,000			
WOOD PRODUCTS SUBSIDIES						
Country:	Previous	Current	Following			
Year of Report	CY 2005	CY 2006	CY 2007			
Total Solid Wood Export Subsidy Outlay (\$US million)	no	no	no			
Is there a ban on the export of logs, lumber, or veneer? 1/	no	no	no			
Are there export taxes (yes/no)? 2/	no	no	no			
Total Wood Production Subsidy (\$US million)	15	15	15			
Scope (thousands of hectares)	20	20	34			
Are there other wood products export expansion activities? 1/	no	no	no			
1/ If yes, describe in report.						

2/ If yes, identify in Tariff and Tax Strategic Indicator Table.						
FOREST PRODUCT TARIFFS AND TAXES (percent)	Tariff	Tariff	Tariff	Other		
Country: Poland (for detailed info see: <a href="http://europa.eu.int/eur-lex/lex/JOhtml.do?uri=OJ:L:2007:286:SOM:EN:HTML">http://europa.eu.int/eur-lex/lex/JOhtml.do?uri=OJ:L:2007:286:SOM:EN:HTML</a> )	Previous	Currant	Following	Import	Total Cost	Export
Report Year:	Year	Year	Year	Taxes/Fees 2/	of Import	Tax
4401	0	0	0	7/22	7 or 22%	none
4403	0	0	0	22	22%	none
4404	0	0	0	22	22%	none
4405	0	0	0	22	22%	none
4406	0	0	0	22	22%	none
4407	0	0 3/	0 3/	22	22%	none
4408	different	different	different	22	22%	none
4409	0	0	0	22	22%	none
4410	7	7	7	22	29%	none
4411	7	7	7	22	29%	none
4412		between 6 and 10	between 6 and 10	22	28-32%	none
-441219		7 (there is 7 imp quota)	7 (there is imp quota)	22	29%	none
4413	0	0	0	22	22%	none
4414						
-44140010	5.1	5	5	22	27%	none
-44140090	0	0	0	22	22%	none
4415	4 or 3	4 or 3	4 or 3	22	25-26%	none
4416	0	0	0	22	22%	none
4417	0	0	0	22	22%	none
4418						
-441810 (windows)	3	3	3	22	25%	none
-44182010 (doors from tropical species)	6	6	6	22	28%	none
-44182050/80 (doors from other species)	0	0	0	22	22%	none
4419	0 or 3	0 or 3	0 or 3	22	22-25%	none
4420	4, 6 or 0	4, 6 or 0	4, 6 or 0	22	22-27%	none
4421	0	0 or 4	0 or 4	22	22%	none
9401	0	0	0	22	22%	none

9403.3	0	0	0	22	22%	none
9493.4	2.7	2.7	2.7	22	25%	none
9403.5	0	0	0	22	22%	none
9403.6	0	0	0	22	22%	none
9403.90.30 (wooden parts for furniture)	2.7	2.7	2.7	22	25%	none
9406	2.7	2.7	2.7	22	25%	none
1/ Insert additional lines for Commodity tariff identification should tariffs vary within the four-digit designation for major products exported by the U.S. (e.g., 4412.19: softwood plywood 3%, 4412.XX: other plywood, 9%).						
2/ Calculate as tariff plus other import taxes/fees assuming a commodity value of \$100.						
* according to 2002 National Census						
2/ According to the new construction regulations, a 22 percent VAT is applicable to all construction products. Till July 1, 2007 individual investors can still claim the difference between 7 and 22 % VAT on several materials purchased after May 1, 2004.						
3/ Some products made on tropical wood are not duty free.						